

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 1781 (PCB EDK 04-07a) Higher Education Finance Policy  
**SPONSOR(S):** Committee on Education K-20  
**TIED BILLS:** **IDEN./SIM. BILLS:**

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Education K-20</u>	<u>20 Y, 5 N</u>	<u>Tilton</u>	<u>Bohannon</u>
2) _____	_____	_____	_____
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

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### SUMMARY ANALYSIS

This bill proposes a number of changes to higher education finance policies including student residency classification for tuition purposes, tuition and fee policies, financial aid policies, and funding policies.

The bill requires an annual report from community colleges and state universities that examines access and affordability at the reporting institution.

The bill requires university boards of trustees to develop policies and procedures to ensure timely completion of baccalaureate degrees; provides that certain hours in excess of 115% of the hours required for a degree will not be funded; and permits universities to assess students a surcharge for taking excess hours.

The bill revises provisions relating to the determination of a student's residency status for tuition purposes. The bill requires that students be classified as residents or nonresidents for the purpose of assessing tuition for instruction in postsecondary career and technical programs offered by school districts. The bill ties the statutorily-required minimum 12-month residency period to a student's initial enrollment in a Florida postsecondary institution and includes references to residency determination for purposes of determining eligibility to participate in certain financial aid programs.

The bill authorizes increases to the financial aid fee and capital improvement fee for community colleges; increases the capital improvement trust fund fee and building fee for state universities; authorizes a technology fee at state universities capped at 5% of tuition and out-of-state fees; eliminates the 5% cap on the aggregate sum of the activity & service, health, and athletic fees; and requires certain nondegree-seeking students to pay the full cost of instruction. The new technology fee is not covered by Bright Futures.

The bill requires students to submit a Free Application for Federal Student Aid (FAFSA) to be eligible to receive an award from community college or state university financial aid fee revenues, certain state programs, and any direct appropriation from the Legislature to an institution for financial assistance.

The bill requires state universities to provide students a billing statement; provides incentive funding for targeted degree production at state universities; and revises the Major Gifts program.

The fiscal impact of the bill is indeterminate at this time. See FISCAL COMMENTS.

**This document does not reflect the intent or official position of the bill sponsor or House of Representatives.**

**STORAGE NAME:** h1781.edk.doc  
**DATE:** March 18, 2004

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. DOES THE BILL:

- |                                      |   |  |   |
|--------------------------------------|---|--|---|
| 1. Reduce government?                | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/>            |
| 2. Lower taxes?                      | Yes <input type="checkbox"/>            | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom?        | Yes <input type="checkbox"/>            | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            | N/A <input type="checkbox"/>            |
| 5. Empower families?                 | Yes <input type="checkbox"/>            | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |

For any principle that received a “no” above, please explain:

Because the bill places additional responsibilities on postsecondary institutions, it cannot be said to reduce government.

#### B. EFFECT OF PROPOSED CHANGES:

### AFFORDABILITY AND ACCESS

#### **Background**

The Office of Program Policy Analysis and Government Accountability (OPPAGA) has conducted a number of studies recently that examine the issue of college affordability. These reports include:

- Report No. 03-17 – *Bright Futures Contributes to Improved College Preparation, Affordability, and Enrollment*
- Report No. 03-33 – *College Attendance Costs Vary and Result from Higher Tuition, Room, and Board*
- Report No. 03-47 – *Compilation of College Affordability Data for Students Who Applied for Federal Aid*
- Report No. 04-12 – *Florida Universities’ Tuition and Fees Slightly Below Peers, But All Costs Consume a Higher Percentage of Family Median Income*

These reports found that that the cost of attendance varies among community colleges and universities with some of the variance attributable to institutional differences in the methods used to calculate living costs; that Florida’s cost of attendance is higher than the national average for state universities even though Florida ranks below the national average in tuition and fees; that when the major costs of education (tuition, fees, room and board) and Florida’s median family income are considered, Florida families face a slightly higher burden for a university education than families in other states; and that less than half of all students (35%) apply for federal aid.

#### **Effect of Proposed Changes**

This bill provides for additional review of affordability and access issues at the institutional level by requiring each community college and state university to submit an annual report on affordability and access. Each report must include:

- A description of the criteria used by the institution to admit undergraduate students;
- A description of the criteria used by the institution to award financial assistance to undergraduate students;

- An analysis of the total number of credits awarded during the report year to students who enroll in the institution for the acceleration mechanisms identified in s. 1007.27, F.S., the average number of credits per student, and the value of these credit in tuition and fees;
- An analysis of the percentage of gross family income required for a student who is a resident of the state to fully pay the tuition and required fees charged by the institution; and
- An analysis of the percentage of gross family income required for a student who is a resident of this state to fully pay the estimated cost of attendance.

The report must be submitted to the institution's governing boards, the Governor, the President of the Senate, and the Speaker of the House of Representatives.

## **TIMELY COMPLETION OF BACCALAUREATE DEGREE PROGRAMS**

### **Background**

Reports provided by the Division of Colleges and Universities show that 43% of the 2002-03 state university graduates who entered as first-time-in-college students graduated with credits in excess of 115% of the credits required for graduation; 21% of the graduates who entered as Florida community college transfers graduated with credits in excess of 115% required for graduation; and 27% of the graduates who entered as other transfers graduated with credits in excess of 115% of the credits required for graduation.

Data provided by OPPAGA<sup>1</sup> indicate that the 2001-2002 graduating class accumulated 347,482 credit hours over 115% of their degree requirements, costing the state approximately \$30 million. Overall, 20% of the students earned 82% of all credit hours over the 115% standard. Data for the 2002-2003 graduating class were similar – the 2002-2003 graduating class accumulated 337,837 credit hours over 115% of their degree requirements, costing the state approximately \$30 million if the 2001-2002 cost per credit hour figures are used.

### **Effect of Proposed Changes**

This bill requires university boards of trustees to develop policies and procedures to ensure that students enrolled in baccalaureate degree programs complete their programs in a timely manner in order to make the most efficient use of instructional resources and provide capacity within the institution for additional students. These policies must be submitted to the Board of Governors for review and approval prior to implementation. The excess hours policies take effect for students entering a community college or state university for the first time in 2004-2005 academic year and thereafter.

The bill provides that hours in excess of 115% of the hours required for a student's degree program will not be funded. The bill defines which hours are included and excluded in the calculation of excess hours. The hours excluded from the excess hours calculations include:

- Credit hours earned through an acceleration mechanism identified in law.
- Credit hours earned in a course that does not count toward any degree at the institution.
- Credit hours earned in military science courses.
- Credit hours required to achieve teacher certification which are not credited toward the student's first baccalaureate degree.
- Credit hours taken by active duty military personnel.
- Credit hours in courses from which a student must withdraw due to medical or personal hardship reasons.

The bill authorizes universities to assess a surcharge to students taking excess hours and caps the sum of tuition plus the surcharge at 100% of the full cost of instruction.

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<sup>1</sup> Excess Hour Analysis

In order to determine whether excess hours is an issue that should also be addressed for associate and graduate level programs, the bill directs OPPAGA to conduct a study to determine how the number of hours taken by students at community colleges and state universities compare with the number of hours required to complete degree requirements. OPPAGA must submit the results of the study to the Speaker of the House of Representatives, the President of the Senate, and the Governor by February 1, 2005.

## DUAL ENROLLMENT

Current law recognizes a variety of acceleration mechanisms. Acceleration mechanisms can serve as a way for students to shorten the time necessary to complete the requirements of a postsecondary degree thereby reducing the cost to the student and his or her family and providing space to increase access for additional students. Dual enrollment is a form of acceleration mechanism where the student enrolls in a course that is creditable toward a career or technical certificate, an associate degree, or a baccalaureate degree. State universities, public community colleges, and certain independent colleges and universities are eligible to provide dual enrollment programs. This bill requires state universities and community colleges to award credit for dual enrollment courses completed at an independent college or university eligible for inclusion in the dual enrollment or early admission program pursuant to s. 1011.62(1)(i), F.S. In addition, the bill deletes provisions relating to an obsolete report.

## DETERMINATION OF RESIDENT STATUS

### Background

#### *General Provisions*

Current law requires students to be classified as residents or nonresidents for the purpose of assessing tuition in community colleges and state universities.<sup>2</sup> To qualify as a resident for tuition purposes, a student, or the student's parents if the student is a dependent, must have established legal residence in the state and maintained legal residence in the state for at least 12 months immediately prior to the student's qualification. Presence in the state must have been for the purpose of maintaining a bona fide domicile, rather than for the purpose of maintaining a mere temporary residence or abode incident to enrollment in an institution of higher education.

An OPPAGA Special Review<sup>3</sup> found that although Florida law and rules are intended to enable universities and community colleges to accurately and consistently classify students for in-state and out-of-state residency, the process is substantially flawed. OPPAGA found that institutions were using inconsistent screening criteria and procedures creating the potential for misclassifications and variations in the threshold a student must meet to qualify for residency. OPPAGA identified three costly weaknesses in the current criteria and procedures used in classifying students as residents for tuition purposes:

1. Current law and rules do not provide adequate criteria governing under what specific circumstances students should be reclassified as Florida residents.
2. Current criteria do not adequately specify the determination of students' dependency status.
3. Institutions are applying varying standards for documenting residency.

The report recommends that to improve the residency classification process, the Legislature should amend current law to require that students (or their parents if the students are dependents) must maintain legal residence in the state for at least 12 months immediately prior to the student's initial enrollment or registration at a Florida public postsecondary institution to be eligible for classification for in-state residency. OPPAGA also recommended that Legislature more clearly define when a non-resident student could be eligible for reclassification as a resident.

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<sup>2</sup> Section 1009.21, F.S.

<sup>3</sup> Report 03-29, OPPAGA Special Review, *Non-Residents Qualify Too Easily for Much Lower Resident Tuition Rates*

OPPAGA estimates that institutions could receive an additional \$24.2 million in tuition revenues from out-of-state students if reclassifications were eliminated and these individuals remained enrolled.

### ***Workforce Education Programs***

Workforce instruction may be provided by community colleges or school districts. Current law regarding workforce development postsecondary fees requires that, except as otherwise provided, fees for students who are not residents for tuition purposes must offset the full cost of instruction<sup>4</sup>. However, only community colleges and state universities are required to classify students as residents or nonresidents for the purpose of assessing tuition<sup>5</sup>.

A June 2002 OPPAGA program review of Adult Education<sup>6</sup> reports that State Board of Education rules do not require school districts to establish residency requirements for workforce development students. According to the OPPAGA report, the department encourages school boards to develop residency policies at the local level since proof of residency is required for the purpose of charging fees. OPPAGA found that some districts have established specific guidelines for documenting residency, while others have minimal requirements. The OPPAGA report concludes that clear and enforced residency requirements are needed to ensure that non-resident students pay the full cost of instruction as required in Florida law.

The OPPAGA report further concludes that inconsistent eligibility requirements between community colleges and school districts can create an uneven playing field with regard to funding. The report recommends that the Legislature identify residency requirements specific to the workforce development education programs offered in both community colleges and school districts. This would provide uniform residency requirements for workforce development programs provided by both systems as well as within school district systems.

### ***Private Colleges and Universities***

The general requirements for student eligibility for state financial aid<sup>7</sup> require residency in the state for no less than one year preceding the award of aid from certain state programs including: the Florida Public Student Assistance Grant Program; the Florida Private Student Assistance Grant Program; the Florida Postsecondary Student Assistance Grant Program; the Florida Bright Futures Scholarship Program; the Critical Teacher Shortage Program; the Seminole and Miccosukee Indian Scholarships; the Florida Teacher Scholarship and Forgivable Loan Program; the Minority Teacher Education Scholars Program; the grants for teachers for special training in exceptional student education; the occupational therapist or physical therapist critical shortage program; the Florida Minority Medical Education Program; the Jose Marti Scholarship Challenge Grant Program; the Mary McLeod Bethune Scholarship Program; the Ethics in Business Scholarship Program for state universities; the Ethics in Business Scholarship Program for community colleges and independent postsecondary educational institutions; the Florida Work Experience Program; and the William L. Boyd, IV, Florida Resident Access Grant. The law further requires that the resident status for purposes of receiving state financial aid awards must be determined in the same manner as resident status for tuition purposes pursuant to s. 1009.21 and rules of the State Board of Education.

In its November 2003 justification review of the Private Colleges and Universities Program, OPPAGA reported that private colleges and universities are not required to follow the same residency determination process as public institutions, and that they use less stringent requirements. OPPAGA

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<sup>4</sup> Section 1009.22(10), F.S.

<sup>5</sup> Section 1009.21, F.S.

<sup>6</sup> Report 02-33, OPPAGA Program Review, *Adult General Education Performance Improves; However, Placement Rates Need Improvement and the State's Residency Policy Needs Definition*

<sup>7</sup> Section 1009.40(1)(a)2., F.S.

concluded that, as a result, there is an increased potential for state financial aid to be awarded to non-resident students.<sup>8</sup>

### **Effect of Proposed Changes**

This bill requires that students be classified as residents or nonresidents for the purpose of assessing tuition for instruction in postsecondary career and technical programs offered by school districts.

This bill clarifies a student must also be classified as a resident or nonresident for the purpose of determining student eligibility to participate in the following programs: the Florida Public Student Assistance Grant Program; the Florida Private Student Assistance Grant Program; the Florida Postsecondary Student Assistance Grant Program; the Florida Bright Futures Scholarship Program; the Critical Teacher Shortage Program; the Seminole and Miccosukee Indian Scholarships; the Florida Teacher Scholarship and Forgivable Loan Program; the Minority Teacher Education Scholars Program; the grants for teachers for special training in exceptional student education; the occupational therapist or physical therapist critical shortage program; the Florida Minority Medical Education Program; the Jose Marti Scholarship Challenge Grant Program; the Mary McLeod Bethune Scholarship Program; the Ethics in Business Scholarship Program for state universities; the Ethics in Business Scholarship Program for community colleges and independent postsecondary educational institutions; the Florida Work Experience Program; and the William L. Boyd, IV, Florida Resident Access Grant.

The bill revises residency criteria to require that a person reside in-state for 12 months immediately prior to initial enrollment in a postsecondary education program in Florida. The term "initial enrollment" is defined as the first day of classes. A student is eligible to be reclassified from nonresident to resident if the student provides documentation that supports the student's permanent residency in the state such as documentation of permanent full-time employment for a minimum of 12 months or purchase of a home in this state and residence in said home for a minimum of 12 months. If the student is a dependent child, the residency requirements apply to the student's parent.

The bill extends residency status to the dependent children of active duty military families who are stationed near a community college or university in a county contiguous to Florida.

The bill updates an obsolete reference to the North American Aerospace Defense Command (NORAD) agreement.

### **COMMUNITY COLLEGE STUDENT FEES**

The bill adds a reference to baccalaureate degree programs authorized by the State Board of Education pursuant to s. 1007.33, F.S., and directs the State Board to adopt a fee schedule for such programs.

The bill increases the cap for the financial aid fee assessed by community colleges to 5% of the total tuition and out-of-state fees collected rather than "5 percent of the total student tuition or out-of-state fees collected." This conforms with current policy regarding the financial aid fee charged by state universities which is capped at "5 percent of the tuition and out-of-state fee."

Current law authorizes community college boards of trustees to establish a separate fee for capital improvement, technology enhancements, and equipping student buildings. The fee for college credit programs is capped at \$1 per credit hour for residents and must equal or exceed \$3 per credit hour for nonresidents. Representatives of the Florida Association of Community Colleges indicate that this fee has not been increased since it was authorized in 1989. According to information provided by DOE, 27 of the 28 community colleges assess the capital improvement fee. This bill establishes the cap on the community college capital improvement fee at 10% of tuition for residents and 10% of the total tuition

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<sup>8</sup> OPPAGA Report No. 03-70, *Justification Review: Private Colleges and Universities Program – Department of Education*

and out-of-state fees collected for nonresidents. The fee increase for residents is capped at \$2 per credit hour over the prior year. The maximum amount of the capital improvement fee that can be used for child care centers is increased from 15 cents per credit hour to 15% per credit hour.

This bill eliminates current language tying community college fines to the “cost of service provided.”

### **STATE UNIVERSITY STUDENT FEES**

The bill adds language requiring that, except as otherwise provided by law, the sum of nonresident tuition and the out-of-state fee must be sufficient to defray the full cost of each program. Similar provisions currently exist for workforce programs<sup>9</sup>, community college programs<sup>10</sup>, and existed for state university undergraduate programs prior to the 2002 School Code Rewrite<sup>11</sup>

The bill removes the 5% annual cap on increases to the aggregate sum of the activity & service, health, and athletic fees.

The Capital Improvement Trust Fund fee is increased from \$2.44 per credit hour per semester to \$2.94 per credit hour per semester. The building fee is increased from \$2.32 per credit hour per semester to \$2.82 per credit hour per semester. In addition, each university board of trustees is authorized to increase each of these fees by \$.50 above the amount established in law.

The bill authorizes a technology fee capped at 5% of tuition for resident students and 5% of tuition and out-of-state fees for nonresident students to enhance, expand, and improve technology access and support. The expenditure of technology fee revenues must be in accordance with technology improvement plans approved by the university’s board of trustees with prior consultation with the university’s student government association. Establishment of the fee and any subsequent modifications must be recommended by a fee committee, at least one-half of whom are students appointed by the student body president. The technology fee is not covered by the Bright Futures Scholarship Program.

Each university board of trustees must provide each student who is charged tuition and fees with a billing statement at the beginning of the semester that clearly identifies the amount of funding the state and the respective university are paying on behalf of the student to reflect the true costs of the student’s education. The billing statement may be provided by electronic means. A sample of the billing statement format must be submitted to the Board of Governors for review and approval prior to August 15 of each year.

Each university board of trustees must develop a proposal to establish a block tuition and fee policy and other incentive policies designed to decrease the time required for students to complete their degrees and encourage more efficient use of resources. The proposal must describe the impact of the policies on costs to students and to the state with respect to the Bright Futures Scholarship Program and the Prepaid College Program and the impact of the policies on students who do not have a Bright Futures Scholarship or Prepaid College contract. The proposals must be submitted to the Board of Governors, the Governor, the President of the Senate, and the Speaker of the House of Representatives no later than December 15, 2004.

Beginning with the 2004-2005 academic year, each university board of trustees must establish a fee policy for nondegree-seeking students that requires such students to pay tuition at 100 percent of the full cost of instruction per credit hour. The policy must provide an exemption for the following nondegree-seeking students:

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<sup>9</sup> Section 1009.22(3)(a), F.S.

<sup>10</sup> Section 1009.23(5), F.S.

<sup>11</sup> Section 240.209(2)(e)1., F.S. (2001)

- Students who provide documentation that the course or courses in which they seek to enroll are required for professional licensure, certification, or recertification.
- Active duty military personnel.
- Retired military personnel within two years of retirement.
- Full-time employees of state agencies or political subdivisions of the state when the student's tuition and fees are paid by the state agency or political subdivision for the purpose of taking job-related courses.

The policy must be submitted to the Board of Governors for its review and approval prior to implementation. Student credit hours generated by nondegree-seeking students, excluding those who have been provided an exemption, must be identified separately when reporting full-time equivalent student enrollments.

## **FEE EXEMPTIONS**

The bill restores language inadvertently omitted during the School Code Rewrite that clarifies that the apprenticeship tuition and fee exemption relates only to an apprenticeship program.

## **COMPLETION OF THE FREE APPLICATION FOR FEDERAL STUDENT AID**

The OPPAGA program review on Bright Futures<sup>12</sup> reports that a large number of Bright Futures award recipients never applied for financial aid by completing the Free Application for Federal Student Aid (FAFSA). OPPAGA concluded that this has consequences for the student and the state. The students and families not completing a FAFSA reduce their opportunities to receive federal and state aid. The report suggests that if the state had FAFSA information on all students, policymakers could better assess the level of financial aid and target state resources accordingly.

Beginning with awards for the 2005-2006 academic year, this bill requires a student to submit a FAFSA to be eligible to receive an award from the following:

- community college financial aid fee revenues;
- state university financial aid fee revenues;
- one of the following state programs: the Florida Public Student Assistance Grant Program; the Florida Private Student Assistance Grant Program; the Florida Postsecondary Student Assistance Grant Program; the Florida Bright Futures Scholarship Program; the Critical Teacher Shortage Program; the Seminole and Miccosukee Indian Scholarships; the Florida Teacher Scholarship and Forgivable Loan Program; the Minority Teacher Education Scholars Program; the grants for teachers for special training in exceptional student education; the occupational therapist or physical therapist critical shortage program; the Florida Minority Medical Education Program; the Jose Marti Scholarship Challenge Grant Program; the Mary McLeod Bethune Scholarship Program; the Ethics in Business Scholarship Program for state universities; the Ethics in Business Scholarship Program for community colleges and independent postsecondary educational institutions; and the Florida Work Experience Program;
- the William L. Boyd, IV, Florida Resident Access Grant
- funds directly appropriated to an institution by the Legislature for student financial assistance.

## **INCENTIVE FUNDING FOR TARGETED DEGREE PRODUCTION AT STATE UNIVERSITIES**

This bill provides for incentive funding, subject to legislative appropriation, for targeted degree production at state universities. The purpose of the incentive funds is to encourage individual university boards of trustees to establish programs, policies, and procedures that lead to increased degree production in academic discipline areas deemed critical to Florida's future growth needs.

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<sup>12</sup> Report No. 03-17, Bright Futures Contributes to Improved College Preparation, Affordability, and Enrollment

The bill identifies the targeted critical areas for the 2004-2005 fiscal year:

- teacher education programs that have been identified by the State Board of Education as critical teacher shortage areas;
- nursing;
- engineering; and
- science and technology.

By July 1, 2004, the Board of Governors, in conjunction with individual university boards of trustees, must identify the specific academic disciplines and appropriate upper-level and graduate level courses that articulate to the targeted areas. The Board of Governors must establish the 2003-2004 base and develop a methodology for allocating the incentive awards based on a prorated share of the actual FTE growth above the base year. Any appropriated funds that are not awarded by the end of the fiscal year revert to General Revenue.

The bill establishes a process for identifying targeted critical areas for the 2005-2006 fiscal year and thereafter.

- By October 1, 2004, the Board of Governors, the Agency for Workforce Innovation, Workforce Florida, Inc, and Enterprise Florida, Inc. must develop a multi-year forecasting mechanism for identifying occupations in areas that may require an increase in undergraduate and graduate degree production.
- By November 1, 2004, the Board of Governors must develop a methodology for providing incentive awards based on increasing undergraduate and graduate degree production in academic disciplines linked to occupations identified through the forecasting mechanism. Any funds appropriated for incentives that are not awarded by the end of the fiscal year revert to General Revenue.

By December 1 of each year, the Board of Governors must submit a report to the Governor, the Speaker of the House, and the President of the Senate that details the implementation of the incentive funding program, including any university successes or barriers to implementation.

## TRUST FUND FOR UNIVERSITY MAJOR GIFTS

### Background

The Legislature established the Trust Fund for Major Gifts to enable state universities to provide donors with an incentive in the form of matching grants for donations for the establishment of permanent endowments. Private contributions are matched by state funds based on the level of the private contribution. The donations and the matching grants must be invested with the proceeds of the investment used to support libraries and instruction and research programs as defined by the State Board of Education. The Major Gifts program was established by the Legislature in 1985 and combined in 1994 with the Florida Endowment Trust Fund for Eminent Scholars and the Trust Fund for New Donors resulting in the current program. The current formula used to determine the state match, shown in the following table, was also adopted in 1994.

Contribution Level	Percentage of Match
\$100,000 - \$599,999	50%
\$600,000 - \$1,000,000	70%
\$1,000,001 - \$1,500,000	75%
\$1,500,001 - \$2,000,000	80%
Over \$2,000,000	100%

The Major Gifts program has been described as one of the most successful fund-raising programs for public universities in the country. In recent years, concern has been expressed about the growing backlog of unmatched gifts as well as some of the criteria for matching gifts. Several groups of university representatives have convened and issued recommendations for changes to the program.

(A) A Task Force convened in Fall 1999 by the Chancellor of the State University System issued a number of recommendations as part of the Task Force's final report<sup>13</sup> including the following recommendations which would require statutory changes to the program:

1. Prohibit encumbering.
2. Limit the amount of state dollars used to match a single gift in a given year to \$3 million.
3. Limit the total amount of match money for any single gift to \$15 million, a total of \$3 million per year for 5 years.
4. Change the percentages of matching dollars received and the breakpoints at which they occur.

According to the final report, the 1999 Task Force reached consensus on items (1) – (3); 7 of the 9 universities participating on the Task Force supported item (4). The report did not identify the universities that supported item (4) or the universities that did not.

(B) In Fall 2002, a group comprised of representatives from all 11 state universities submitted the following proposal for substantive changes to the Major Gifts Program<sup>14</sup>:

1. Limit the amount of state dollars used to match a single gift in a given year to \$3 million.
2. Limit the total amount of match money for any single gift to \$15 million, a total of \$3 million per year for 5 years.
3. Matched endowment gifts must be for university priorities only, as set by each university's board of trustees.

(C) In Fall 2003, the Speaker of the House of Representatives convened a workshop of state university representatives to discuss the matching gifts programs. That group submitted the following recommendations for substantive changes, indicating unanimous agreement among university presidents, boards of trustees, and foundation boards<sup>15</sup>:

1. Limit the amount of state dollars used to match a single gift in a given year to \$3 million.
2. Limit the total amount of match money for any single gift to \$15 million, a total of \$3 million per year for 5 years.
3. Provide that university boards of trustees must endorse matched endowment gifts as priorities of the institution.

### **Effect of Proposed Changes**

This bill incorporates the substantive changes recommended by the 1999, 2002, and 2003 workgroups on the major gifts program. The bill:

- Updates references to the "State Board of Education" to "Board of Governors."
- Removes references to encumbrances.
- Requires that donations from a private source must be for a specific purpose to support university priorities as established by a university's board of trustees
- Revises the matching dollars formula to the following:

<sup>13</sup> November 17, 1999 memorandum from Tom Healey

<sup>14</sup> October 28, 2003 Proposal re State Matching Grant Programs

<sup>15</sup> November 21, 2003 letter to Speaker Byrd from J. Jeffrey Robison

Contribution Level	Percentage of Match
\$100,000 - \$999,999	50%
\$1,000,000 - \$2,999,999	60%
\$3,000,000 or more	85%

- Caps the annual match amount at \$3 million and the overall match amount per single gifts at \$15 million over 5 years
- Removes specific references to New College. The statutory definition of the term “state university” includes New College.

In addition to changes recommended by the various workgroups, the bill provides the statutory provisions relating to the Major Gifts program are contingent upon appropriations and as provided by law.

C. SECTION DIRECTORY:

**Section 1:** Creates s. 1004.09, F.S., relating to reports of affordability and access, to require community colleges and state universities to submit annual reports that examine access and affordability to the their respective governing boards, the Governor, the President of the Senate, and the Speaker of the House of Representatives; prescribes contents of the reports.

**Section 2:** Creates s. 1004.215, F.S., relating to timely completion of baccalaureate degree programs, to require university board of trustees to develop policies and procedures to ensure that students enrolled in baccalaureate degree programs complete their programs in a timely manner; to cap state funding for excess credit hours; to define the credit hours that are to be included and excluded for purposes of determining excess credit hours; to permit universities to assess a surcharge for excess hours; to require approval of university policies by the Board of Governors prior to implementation; to provide that the law becomes effective for students enrolling in a community college or state university for the first time during the 2004-2005 academic year; to require OPPAGA to study excess hours in associate and graduate degree programs.

**Section 3.** Amends s. 1007.27, F.S., articulated acceleration mechanisms, to require community colleges and state universities to award credit for certain dual enrollment courses; deleting obsolete provisions.

**Section 4:** Amends s. 1009.21, F.S., relating to determination of resident status for tuition and financial assistance eligibility purposes, to provide that students must be classified as residents or nonresidents for the purpose of assessing tuition for instruction in postsecondary career and technical programs offered by school districts; to clarify that students must be classified as Florida residents to participate in certain financial assistance programs; to define terms; to tie the qualification period for determining residency to the student’s initial enrollment in a postsecondary education program in Florida; to provide conditions for reclassification; to classify certain dependent children as residents for tuition purposes; to update obsolete terminology.

**Section 5:** Amends s. 1009.23, F.S., relating to community college student fees, to include reference to tuition and fees for baccalaureate degree programs authorized by the State Board of Education pursuant to s. 1007.33, F.S.; to revise provisions relating to the amount of the financial aid fee; to require submission of the Free Application for Federal Student Aid to receive an award from financial aid fee revenues; to revise provisions relating to the capital improvement fee; to delete a reference to fines.

**Section 6:** Amends s. 1009.24, F.S., relating to state university student fees, to clarify that the sum of nonresident student tuition and out-of-state fees must be sufficient to defray the full cost of each program; to eliminate the 5% per year cap on increases in the aggregate sum of the activity & service, health, and athletic fees; to require submission of the Free Application for Federal Student Aid to receive an award from financial aid fee revenues; to revise provisions relating to the amount of the Capital Improvement

Trust Fund Fee and the building fee; to authorize a technology fee; to require a billing statement each semester for each student who is charged tuition and fees; to require development of proposals to establish block tuition and fee policies and other incentive policies that decrease the time required for students to complete their degrees; to require each university board of trustees to establish a fee policy requiring certain nondegree-seeking students to pay tuition at 100% of the full cost of instruction.

**Section 7:** Amends s. 1009.25, F.S., relating to fee exemptions, to clarify provisions relating to the fee exemption provided students in apprenticeship programs.

**Section 8:** Amends s. 1009.40, F.S., relating to general requirements for student eligibility for state financial aid, to require submission of the Free Application for Federal Student Aid for a student to receive financial assistance from certain programs.

**Section 9:** Creates s. 1011.901, F.S., relating to incentive funding for targeted degree production at state universities, to provide incentive funding for targeted degree programs at state universities; to specify the targeted disciplines for the 2004-2005 academic year; to establish a process to identify targeted critical areas in future years; to provide for the identification of certain academic disciplines and courses.

**Section 10:** Amends s. 1011.94, F.S., relating to Trust Fund for University Major Gifts, to delete provisions relating to encumbrances; to revise provisions that prescribe the manner in which donations must be matched; to replace references to the State Board of Education with references to the Board of Governors; to delete references to New College and the New College Foundation; to state that statutory provisions relating to the program are contingent upon appropriation and as provided by law.

**Section 11:** Establishes an effective date of July 1, 2004.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

See FISCAL COMMENTS.

#### 2. Expenditures:

See FISCAL COMMENTS

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

#### 1. Revenues:

See FISCAL COMMENTS.

#### 2. Expenditures:

See FISCAL COMMENTS.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

See FISCAL COMMENTS.

### D. FISCAL COMMENTS:

The fiscal impact of the bill is indeterminate at this time. See the following sections for a general discussion of potential impacts.

## **Potential Savings to the State**

An OPPAGA analysis of the 2002-2003 graduating class found that they accumulated 337,837 credit hours over 115% of their degree requirements, costing the state approximately \$30 million (using 2001-02 cost per credit hour). OPPAGA further found that 20% of the students earned 83% of all credit hours above the 115% standard. State universities will no longer receive funding for credit hours generated by students who have taken in excess of 115% of the hours required for the student's degree program. Universities may require students who take in excess of 115% to pay a surcharge.

The 1999 State University System Major Gifts Task Force estimated that implementation of the task force recommendations would have produced a savings of 15 to 20% of the state match dollars required. They further noted that the proposed criteria for match levels and percentages would allow a greater number of donations to be matched across the universities.

## **Increased Revenues for Institutions**

OPPAGA estimates that if Florida eliminated the reclassification of nonresident students, institutions could receive \$28.2 million in additional annual tuition revenue from nonresidents if these individuals remained enrolled at a Florida public postsecondary institution.

The Department of Education reports that capital improvement fee revenues for community colleges total \$9.3 million for credit and non-credit programs. If the capital improvement fee is increased to 10% of tuition for residents and 10% of tuition and out-of-state fees for non-residents, the total revenues would be \$43.5 million – an increase of \$34.2 million. This bill limits the increase for residents to \$2 per credit hour over the previous year. Increasing the current capital improvement fees (\$1 per credit hour for residents and \$3 per credit hour for nonresidents) for credit and non-credit by \$2 the first year would result in total fee revenue of \$26.3 million – an increase of \$17 million.

Estimates of the increased revenue to the state universities due to the proposed increases to the Capital Improvement Trust Fund and building fees and the new technology fee were not available at the time this analysis was prepared.

Estimates of any increased revenues to state universities from charging nondegree-seeking students the full cost of instruction were not available at the time this analysis was prepared.

## **Increased Funding Required**

The Department of Education estimates that the fiscal impact of the increase in the community college capital improvement fee on increased funding required for the Bright Futures Scholarship Program will be \$1,005,050.

Estimates of the increased cost to the state for the Bright Futures Scholarship Program due to the proposed increases to the Capital Improvement Trust Fund and building fees and the elimination of the 5% cap on annual increases to aggregate sum of university local fees were not available at the time this analysis was prepared.

## **Increased cost of attendance to students**

To the extent that community colleges choose to increase their financial aid fee and/or capital improvement fee, students who do not have a Bright Futures scholarship or a Prepaid contract may see an increase in their cost of attendance.

Increases to the capital improvement trust fund fee, building fee, and the elimination of the 5% cap on annual increases to the aggregate sum of state university local fees may increase the cost of attendance for students who do not have a Bright Futures scholarship or a Prepaid contract.

To the extent that state universities choose to assess the technology fee, students may experience an increase in cost of attendance because the technology fee is not covered by the Bright Futures Scholarship Program.

Estimates of increased costs to students from charging nondegree-seeking students the full cost of instruction were not available at the time this analysis was prepared.

### **Other**

The current amount allowed for child care from the community college Capital Improvement fee is \$.15 per credit hour or \$1.4 million. Changing the allowance to 15% of the total capital improvement fee revenues would provide \$6.3 million. – an increase of \$5.1 million to support community college childcare centers.

## **III. COMMENTS**

### **A. CONSTITUTIONAL ISSUES:**

#### **1. Applicability of Municipality/County Mandates Provision:**

This bill does not require a city or county to spend funds or to take any action requiring the expenditure of funds.

#### **2. Other:**

This bill does not appear to have any constitutional issues.

### **B. RULE-MAKING AUTHORITY:**

None.

### **C. DRAFTING ISSUES OR OTHER COMMENTS:**

None.

## **IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES**

On March 15, 2004, the Committee on Education K-20 adopted five amendments and reported PCB EDK 04-07a favorable.

Amendment # 1 expands the categories of credit hours that will be excluded from excess hour calculations.

Amendment #2 extends in-state residency status to dependent children of active duty military families who are stationed near a community college or university in a county contiguous to Florida.

Amendment #3 permits state universities to provide the required billing statements by electronic means.

Amendment #4 defines “nondegree-seeking student” and expands the categories of students who will be provided an exemption.

Amendment #5 requires public community colleges and state universities to award credit for dual enrollment courses completed at an independent college or university that is eligible to participate in a dual enrollment or early admission program pursuant to current law.